



SOUTH BAY UNION SCHOOL DISTRICT

601 Elm Avenue • Imperial Beach, California 91932-2098
(619) 628-1600 • Fax: (619) 628-1608

July 26, 2013

Mr. Paul V. Christian, Foreman
County of San Diego
Hall of Justice
330 W. Broadway, Suite 477
San Diego, CA 92101-3830

RECEIVED
AUG 2 2013
SAN DIEGO
COUNTY GRAND JURY

Re: Grand Jury Report: "School District Dilemma-Bonds or Bondage?"

Dear Mr. Christian:

South Bay Union School District (SBUSD) has reviewed the Facts, Findings and Recommendations in the Grand Jury Report "School District Dilemma-Bonds or Bondage?" from the San Diego County Grand Jury 2012-13, Final Report. We agree with the overall findings of the Grand Jury and concur that there is a need for Bond reform for county school districts that includes greater citizen oversight of Bond requirements and increased transparency of total Bond costs and future outlays.

We appreciate the effort and time that the Grand Jury committed to this important study and our responses to the required recommendations are noted below.

Recommendation 13-79: Structure future loans to offer more flexibility by allowing a variety of financing options to include:

- Limit the maturity of a bond to no more than 25 years
- Early prepayment of bonds
- A callable feature in all debt issuance
- No interest rates greater than 8%
- A debt ratio not to exceed 4 to 1
- Using the Education Code rather than Government Code

The recommendation is reasonable and has been implemented.

When the Board of Trustees of South Bay Union School District placed the Proposition Y initiative on the ballot in November 2012 to reauthorize \$26,000,000 of the already approved Proposition X initiative passed in 2008, the District adopted the oversight committee best practices to comply with the San Diego County Tax Payers Association (SDCTA). These practices will enhance the effectiveness of the oversight that voters rely upon and these practices also align well with the increased oversight requirements related to Proposition 39. In addition, the new issued bonds also comply with AB182. The newly issued \$17,000,000 Series A, as a result of Election 2012, has the following features:

Board of Trustees

Elvia Aguilar • Chris Brown • Barbara Elliott-Sanders • Melanie Ellsworth • Nicholas Inzunza

Superintendent

Katie McNamara, Ed.D.

- The maturity of the bond is limited to 25 years
- The Bonds were issued with a 10 year par call. The formal call provisions are stated below:
 - The Bonds maturing on or before August 1, 2023 are not subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after August 1, 2024 are subject to optional redemption in whole or in part at the option of the District from any lawfully available source on August 1, 2023 or on any date thereafter, at a price equal to 100% of the principal amount of the Bonds called for redemption, without premium, on the date of such redemption.
 - The average interest rate is 3.90%, well below 8%
 - The debt ratio is 1.61 to 1, well below 4 to 1
 - The Bonds are being issued under the relevant Education and Government Code provisions that are current law. Nevertheless, the Bonds also comply with all provisions under Education Code, and also comply with all of the proposed revisions in Assembly Bill 182.

Recommendation 13-80: Hold Public meetings to discuss the financial impact on the school district for all future bond proposals. The discussion should include:

- The bond amount
- Interest rate
- Terms
- Cost to homeowners in increased property taxes
- Total repayment amount
- What the new issue may do to future bond requirements.

The recommendation is reasonable and has been implemented.

Prior to the adoption of Resolution 12-102 [that authorized an election to authorize the issuance of General Obligation Bonds to be sold in the maximum principal of \$26 million and to establish specifications of the election order as required under Education Code 5322] the District conducted series of public Board Study Sessions and provided presentations during regular public meetings to inform the public about the rationale for the issuance of General Obligation Bonds. In public sessions the District requested reauthorization of the existing authorized General Obligation Bonds (the total amount of debt under Proposition X and Proposition Y is unchanged); discussed the issuance of the bonds utilizing the Current Interest Bonds (CIBs) which bear a much lower interest rate; the terms of the cost to homeowners in increased property taxes; and the total repayment amount under the reauthorization versus issuing Capital Appreciation Bonds (CABs) and the process of what the new issuance will do to the remaining debt using the decertification process.

Recommendation 13-81: For all future bond proposals, send public notices to all district residents to ensure that the community has adequate notice of school board meetings where bond proposals will be discussed. Meeting notices must be posted in several public locations (e.g., school bulletin boards, school website, school offices, classrooms and district offices), as defined by the Brown Act.

If the intent of the Grand Jury is to contact each district resident utilizing the US Postal Service, then the recommendation will not be implemented because it is not deemed warranted or is not reasonable. However, notifying the public has been implemented. All meeting notices are posted in several public locations as defined by the Brown Act. In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all the Board of Trustees in advance of its meetings may be viewed at the South Bay Union School District located at 601 Elm Avenue, Imperial Beach, California 91932. All meeting notices and the related agenda items are available on the District's web site. In addition, any community member can request for a copy of any record related to an item on the agenda, or may contact the Superintendent's Office at 619-628-1605.

Recommendation 13-82: For all future bond proposals, encourage the PTA or similar organizations to educate their membership in school board policies and procedures. Suggested featured speakers could be school board members or financial experts who can answer questions and share relevant bond information.

The recommendation is reasonable and has been implemented.

It has been the practice of the Board of Trustees of South Bay Union School District to have an open and transparent process to inform the public of any action that may have a direct effect on the community.

During the Elections of 2008 and 2012, the District staff conducted outreach to various community organizations to gain their support and to educate the public about the effect of the General Bond Obligation issuances. Informational letters were sent to parents and staff, and informational materials were prepared and posted to the District web site about the process and the financial impact of the General Obligation Bonds. The District also made this information available via a community outreach newspaper that was sent to all parents, and staff, and it was also placed in public locations.

On behalf of SBUSD, I share your interest in ensuring a greater need for countywide school districts bond reform. South Bay Union School District will continue to diligently meet statutory requirements.

Sincerely,



Katie McNamara, Ed.D.
Superintendent

CC: Board of Trustees
Executive Team